



AMERICAN OSTEOPATHIC ASSOCIATION

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August 28, 2006

The Honorable John Dingell
Ranking Member, Energy and Commerce Committee
U.S. House of Representatives
2322 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Dingell:

As President of the American Osteopathic Association (AOA), I want to thank you for introducing the "Patients' Access to Physicians Act of 2006" (H.R. 5916). Like you, the AOA is deeply concerned that the current Medicare physician payment formula is severely flawed and is not contributing to the improvement of the Medicare program. The AOA, and the 59,000 osteopathic physicians it represents, applaud your leadership on this important issue.

Reform of the Medicare physician payment formula, specifically, the repeal of the sustainable growth rate (SGR) formula, is one of the AOA's top priorities. The SGR formula is unpredictable, inequitable, and fails to account accurately for physician practice costs. We continue to advocate for the establishment of a more equitable, rational, and predictable payment formula that reflects physician cost of providing care.

Provisions included in your legislation that ensure all physicians participating in the Medicare program receive a positive payment update in 2007 are consistent with the policy objectives of the AOA. Additionally, we are pleased that H.R. 5916 goes beyond a single year "fix" and provides positive payment updates for the next two years. By eliminating the year-to-year uncertainty, your legislation provides predictability for physicians participating in the Medicare program and additional time for Congress to implement a new payment formula.

According to the 2006 Medicare Trustees Report, physicians are projected to experience a reimbursement cut of 5.1 percent in 2007, with additional cuts predicted in years 2007 through 2015. Without Congressional intervention, physicians will face reductions of greater than 35 percent in their Medicare reimbursements over the next eight years. During this same period, physicians will continue to face increases in their practice costs. If the 2007 cut is realized, Medicare physician payment rates will fall more than 20 percent below the government's measure of inflation in medical practice costs over the past six years. Since many health care programs, such as TRICARE, Medicaid, and private insurers link their payments to Medicare rates, cuts in other systems will compound the impact of the projected Medicare cuts.

The AOA believes that physicians should be reimbursed in a more predictable and equitable manner, similar to other Medicare providers. Physicians are the only Medicare providers subjected to the flawed SGR formula. Since the SGR is tied to flawed methodologies, it routinely produces negative updates based upon economic factors, not the health care needs of beneficiaries. Every Medicare provider, except physicians, receives annual positive updates based upon increases in practice costs. Hospitals and other Medicare providers do not face the possibility of “real dollar” cuts—only adjustments in their rates of increase.

As a physician organization, we are committed to ensuring that all patients receive the appropriate health care based upon their medical condition and the latest research information and technology. For these reasons, the AOA is supportive of programs aimed at improving the quality of care provided and believe that we have a responsibility to help the Congress craft such a program.

We applaud your leadership on the issue of quality improvement in the Medicare program. Additionally, we believe it is time for Congress to consider changes in the Medicare funding formulas that allow for spending adjustments based upon the financial health of the entire Medicare program. As Congress and CMS establish new quality improvement programs, it is imperative for Medicare to reflect fairly the increased role of physicians and outpatient services as cost savers to the Part A Trust Fund. Quality improvement programs may increase spending in Part B, but very well could result in savings in Part A or Part D. These savings should be credited to physicians through a program between Parts A, B, and D.

Again, thank you for your continued leadership on issues that aim to improve the nation’s health care system for both patients and physicians. We look forward to working with you on reforming the Medicare physician payment formula, improving the quality of care provided, and increasing the efficiency and affordability of health care for all Americans. Please do not hesitate to call upon the AOA or our members for assistance on this and other issues.

Sincerely,

A handwritten signature in dark ink, reading "John A. Strosnider" followed by a small circular mark.

John A. Strosnider, D.O.
President